



General Assembly

February Session, 2006

Substitute Bill No. 5091

* _____ HB05091AGEF IN030306 _____ *

**AN ACT CREATING A STATE INCOME TAX EXEMPTION FOR THE
EXPENSE OF LONG-TERM CARE INSURANCE.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subparagraph (B) of subdivision (20) of subsection (a) of
2 section 12-701 of the 2006 supplement to the general statutes is
3 repealed and the following is substituted in lieu thereof (*Effective*
4 *January 1, 2007, and applicable to taxable years commencing on or after*
5 *January 1, 2007*):

6 (B) There shall be subtracted therefrom (i) to the extent properly
7 includable in gross income for federal income tax purposes, any
8 income with respect to which taxation by any state is prohibited by
9 federal law, (ii) to the extent allowable under section 12-718, exempt
10 dividends paid by a regulated investment company, (iii) the amount of
11 any refund or credit for overpayment of income taxes imposed by this
12 state, or any other state of the United States or a political subdivision
13 thereof, or the District of Columbia, to the extent properly includable
14 in gross income for federal income tax purposes, (iv) to the extent
15 properly includable in gross income for federal income tax purposes
16 and not otherwise subtracted from federal adjusted gross income
17 pursuant to clause (x) of this subparagraph in computing Connecticut
18 adjusted gross income, any tier 1 railroad retirement benefits, (v) to the
19 extent any additional allowance for depreciation under Section 168(k)

20 of the Internal Revenue Code, as provided by Section 101 of the Job
21 Creation and Worker Assistance Act of 2002, for property placed in
22 service after December 31, 2001, but prior to September 10, 2004, was
23 added to federal adjusted gross income pursuant to subparagraph (A)
24 (ix) of this subdivision in computing Connecticut adjusted gross
25 income for a taxable year ending after December 31, 2001, twenty-five
26 per cent of such additional allowance for depreciation in each of the
27 four succeeding taxable years, (vi) to the extent properly includable in
28 gross income for federal income tax purposes, any interest income
29 from obligations issued by or on behalf of the state of Connecticut, any
30 political subdivision thereof, or public instrumentality, state or local
31 authority, district or similar public entity created under the laws of the
32 state of Connecticut, (vii) to the extent properly includable in
33 determining the net gain or loss from the sale or other disposition of
34 capital assets for federal income tax purposes, any gain from the sale
35 or exchange of obligations issued by or on behalf of the state of
36 Connecticut, any political subdivision thereof, or public
37 instrumentality, state or local authority, district or similar public entity
38 created under the laws of the state of Connecticut, in the income year
39 such gain was recognized, (viii) any interest on indebtedness incurred
40 or continued to purchase or carry obligations or securities the interest
41 on which is subject to tax under this chapter but exempt from federal
42 income tax, to the extent that such interest on indebtedness is not
43 deductible in determining federal adjusted gross income and is
44 attributable to a trade or business carried on by such individual, (ix)
45 ordinary and necessary expenses paid or incurred during the taxable
46 year for the production or collection of income which is subject to
47 taxation under this chapter but exempt from federal income tax, or the
48 management, conservation or maintenance of property held for the
49 production of such income, and the amortizable bond premium for the
50 taxable year on any bond the interest on which is subject to tax under
51 this chapter but exempt from federal income tax, to the extent that
52 such expenses and premiums are not deductible in determining federal
53 adjusted gross income and are attributable to a trade or business
54 carried on by such individual, (x) (I) for a person who files a return

55 under the federal income tax as an unmarried individual whose
56 federal adjusted gross income for such taxable year is less than fifty
57 thousand dollars, or as a married individual filing separately whose
58 federal adjusted gross income for such taxable year is less than fifty
59 thousand dollars, or for a husband and wife who file a return under
60 the federal income tax as married individuals filing jointly whose
61 federal adjusted gross income for such taxable year is less than sixty
62 thousand dollars or a person who files a return under the federal
63 income tax as a head of household whose federal adjusted gross
64 income for such taxable year is less than sixty thousand dollars, an
65 amount equal to the Social Security benefits includable for federal
66 income tax purposes; and (II) for a person who files a return under the
67 federal income tax as an unmarried individual whose federal adjusted
68 gross income for such taxable year is fifty thousand dollars or more, or
69 as a married individual filing separately whose federal adjusted gross
70 income for such taxable year is fifty thousand dollars or more, or for a
71 husband and wife who file a return under the federal income tax as
72 married individuals filing jointly whose federal adjusted gross income
73 from such taxable year is sixty thousand dollars or more or for a
74 person who files a return under the federal income tax as a head of
75 household whose federal adjusted gross income for such taxable year
76 is sixty thousand dollars or more, an amount equal to the difference
77 between the amount of Social Security benefits includable for federal
78 income tax purposes and the lesser of twenty-five per cent of the Social
79 Security benefits received during the taxable year, or twenty-five per
80 cent of the excess described in Section 86(b)(1) of the Internal Revenue
81 Code, (xi) to the extent properly includable in gross income for federal
82 income tax purposes, any amount rebated to a taxpayer pursuant to
83 section 12-746, (xii) to the extent properly includable in the gross
84 income for federal income tax purposes of a designated beneficiary,
85 any distribution to such beneficiary from any qualified state tuition
86 program, as defined in Section 529(b) of the Internal Revenue Code,
87 established and maintained by this state or any official, agency or
88 instrumentality of the state, (xiii) to the extent properly includable in
89 gross income for federal income tax purposes, the amount of any

90 Holocaust victims' settlement payment received in the taxable year by
91 a Holocaust victim, [and] (xiv) to the extent properly includable in
92 gross income for federal income tax purposes of an account holder, as
93 defined in section 31-51ww, interest earned on funds deposited in the
94 individual development account, as defined in section 31-51ww, of
95 such account holder, and (xv) the amount paid by a taxpayer during
96 the taxable year for premiums on a long-term care policy, as defined in
97 section 38a-501 or 38a-528, or a long-term care policy issued pursuant
98 to section 38a-475, under which policy the taxpayer is insured during
99 the taxable year.

100 Sec. 2. Subparagraph (B) of subdivision (20) of subsection (a) of
101 section 12-701 of the 2006 supplement to the general statutes, as
102 amended by section 71 of public act 05-251, is repealed and the
103 following is substituted in lieu thereof (*Effective from passage and*
104 *applicable to taxable years commencing on or after January 1, 2008*):

105 (B) There shall be subtracted therefrom (i) to the extent properly
106 includable in gross income for federal income tax purposes, any
107 income with respect to which taxation by any state is prohibited by
108 federal law, (ii) to the extent allowable under section 12-718, exempt
109 dividends paid by a regulated investment company, (iii) the amount of
110 any refund or credit for overpayment of income taxes imposed by this
111 state, or any other state of the United States or a political subdivision
112 thereof, or the District of Columbia, to the extent properly includable
113 in gross income for federal income tax purposes, (iv) to the extent
114 properly includable in gross income for federal income tax purposes
115 and not otherwise subtracted from federal adjusted gross income
116 pursuant to clause (x) of this subparagraph in computing Connecticut
117 adjusted gross income, any tier 1 railroad retirement benefits, (v) to the
118 extent any additional allowance for depreciation under Section 168(k)
119 of the Internal Revenue Code, as provided by Section 101 of the Job
120 Creation and Worker Assistance Act of 2002, for property placed in
121 service after December 31, 2001, but prior to September 10, 2004, was
122 added to federal adjusted gross income pursuant to subparagraph

123 (A)(ix) of this subdivision in computing Connecticut adjusted gross
124 income for a taxable year ending after December 31, 2001, twenty-five
125 per cent of such additional allowance for depreciation in each of the
126 four succeeding taxable years, (vi) to the extent properly includable in
127 gross income for federal income tax purposes, any interest income
128 from obligations issued by or on behalf of the state of Connecticut, any
129 political subdivision thereof, or public instrumentality, state or local
130 authority, district or similar public entity created under the laws of the
131 state of Connecticut, (vii) to the extent properly includable in
132 determining the net gain or loss from the sale or other disposition of
133 capital assets for federal income tax purposes, any gain from the sale
134 or exchange of obligations issued by or on behalf of the state of
135 Connecticut, any political subdivision thereof, or public
136 instrumentality, state or local authority, district or similar public entity
137 created under the laws of the state of Connecticut, in the income year
138 such gain was recognized, (viii) any interest on indebtedness incurred
139 or continued to purchase or carry obligations or securities the interest
140 on which is subject to tax under this chapter but exempt from federal
141 income tax, to the extent that such interest on indebtedness is not
142 deductible in determining federal adjusted gross income and is
143 attributable to a trade or business carried on by such individual, (ix)
144 ordinary and necessary expenses paid or incurred during the taxable
145 year for the production or collection of income which is subject to
146 taxation under this chapter but exempt from federal income tax, or the
147 management, conservation or maintenance of property held for the
148 production of such income, and the amortizable bond premium for the
149 taxable year on any bond the interest on which is subject to tax under
150 this chapter but exempt from federal income tax, to the extent that
151 such expenses and premiums are not deductible in determining federal
152 adjusted gross income and are attributable to a trade or business
153 carried on by such individual, (x) (I) for a person who files a return
154 under the federal income tax as an unmarried individual whose
155 federal adjusted gross income for such taxable year is less than fifty
156 thousand dollars, or as a married individual filing separately whose
157 federal adjusted gross income for such taxable year is less than fifty

158 thousand dollars, or for a husband and wife who file a return under
159 the federal income tax as married individuals filing jointly whose
160 federal adjusted gross income for such taxable year is less than sixty
161 thousand dollars or a person who files a return under the federal
162 income tax as a head of household whose federal adjusted gross
163 income for such taxable year is less than sixty thousand dollars, an
164 amount equal to the Social Security benefits includable for federal
165 income tax purposes; and (II) for a person who files a return under the
166 federal income tax as an unmarried individual whose federal adjusted
167 gross income for such taxable year is fifty thousand dollars or more, or
168 as a married individual filing separately whose federal adjusted gross
169 income for such taxable year is fifty thousand dollars or more, or for a
170 husband and wife who file a return under the federal income tax as
171 married individuals filing jointly whose federal adjusted gross income
172 from such taxable year is sixty thousand dollars or more or for a
173 person who files a return under the federal income tax as a head of
174 household whose federal adjusted gross income for such taxable year
175 is sixty thousand dollars or more, an amount equal to the difference
176 between the amount of Social Security benefits includable for federal
177 income tax purposes and the lesser of twenty-five per cent of the Social
178 Security benefits received during the taxable year, or twenty-five per
179 cent of the excess described in Section 86(b)(1) of the Internal Revenue
180 Code, (xi) to the extent properly includable in gross income for federal
181 income tax purposes, any amount rebated to a taxpayer pursuant to
182 section 12-746, (xii) to the extent properly includable in the gross
183 income for federal income tax purposes of a designated beneficiary,
184 any distribution to such beneficiary from any qualified state tuition
185 program, as defined in Section 529(b) of the Internal Revenue Code,
186 established and maintained by this state or any official, agency or
187 instrumentality of the state, (xiii) to the extent properly includable in
188 gross income for federal income tax purposes, the amount of any
189 Holocaust victims' settlement payment received in the taxable year by
190 a Holocaust victim, (xiv) to the extent properly includable in gross
191 income for federal income tax purposes of an account holder, as
192 defined in section 31-51ww, interest earned on funds deposited in the

193 individual development account, as defined in section 31-51ww, of
 194 such account holder, (xv) the amount paid by a taxpayer during the
 195 taxable year for premiums on a long-term care policy, as defined in
 196 section 38a-501 or 38a-528, or a long-term care policy issued pursuant
 197 to section 38a-475, under which policy the taxpayer is insured during
 198 the taxable year, and [(xv)] (xvi) to the extent properly included in
 199 gross income for federal income tax purposes, fifty per cent of the
 200 income received from the United States government as retirement pay
 201 for a retired member of (I) the Armed Forces of the United States, as
 202 defined in Section 101 of Title 10 of the United States Code, or (II) the
 203 National Guard, as defined in Section 101 of Title 10 of the United
 204 States Code.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>January 1, 2007, and applicable to taxable years commencing on or after January 1, 2007</i>	12-701(a)(20)(B)
Sec. 2	<i>from passage and applicable to taxable years commencing on or after January 1, 2008</i>	12-701(a)(20)(B)

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Joint Favorable Subst. C/R

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